



Smart Growth America
Making Neighborhoods Great Together

Why Downtowns Matter



Geoffrey Anderson

We're a little confused





Richard Drudl





24
HOUR

FITNESS

HARVEST
BOUTIQUE
DISCOUNT
CLOTHING &
HOME DECOR

POINT LON

POINT LON
CARDIAC
TO EXERCISE
LOCATED
24 HOURS



Why Downtowns?

- Increasing demand for walkable live/work/play destinations
- Downtowns are again a key factor in economic growth
 - Businesses
 - Tourism
- Downtowns pay the bills

Demographic Change

20th century vs. 21st century

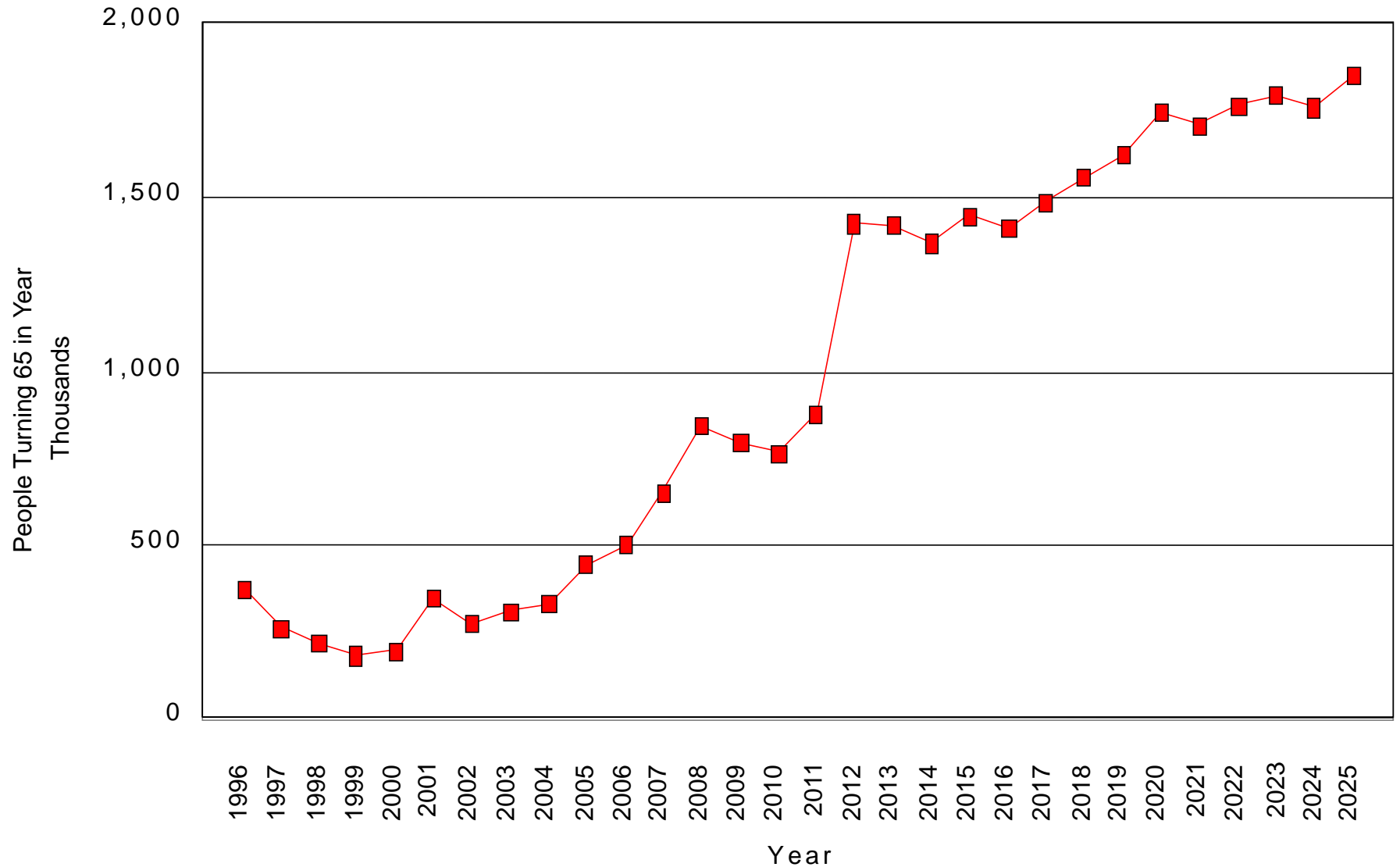
Retirement of the Baby Boom

Rise of the Millennials

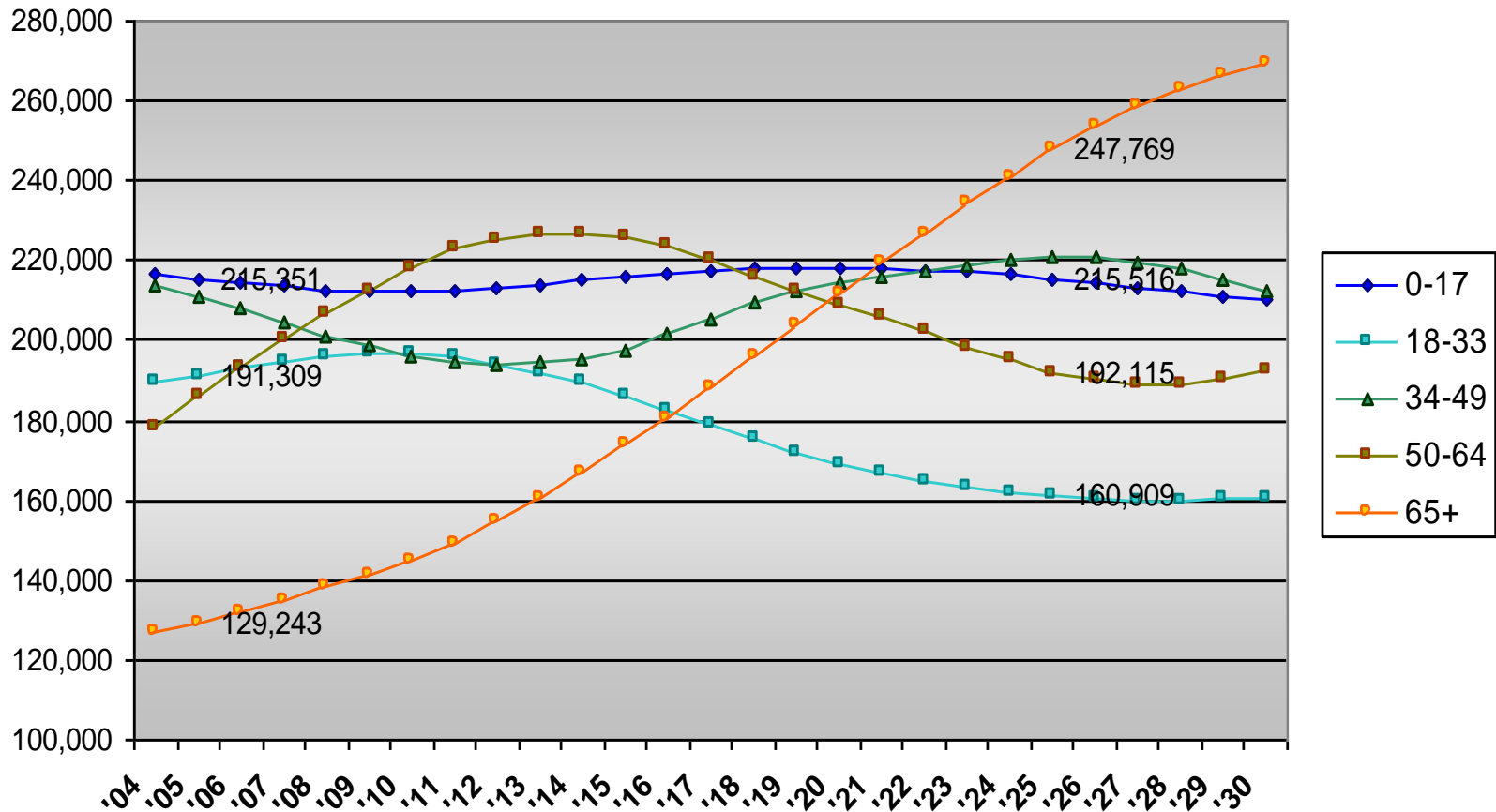
Smaller households

Different preferences

People Turning 65 Annually 1996-2025



Rural demographics



Source: U.S. Census Bureau, 2005

Graph courtesy of Dr. Larry Swanson, O'Connor Center for the Rocky Mountain West, U. of Montana

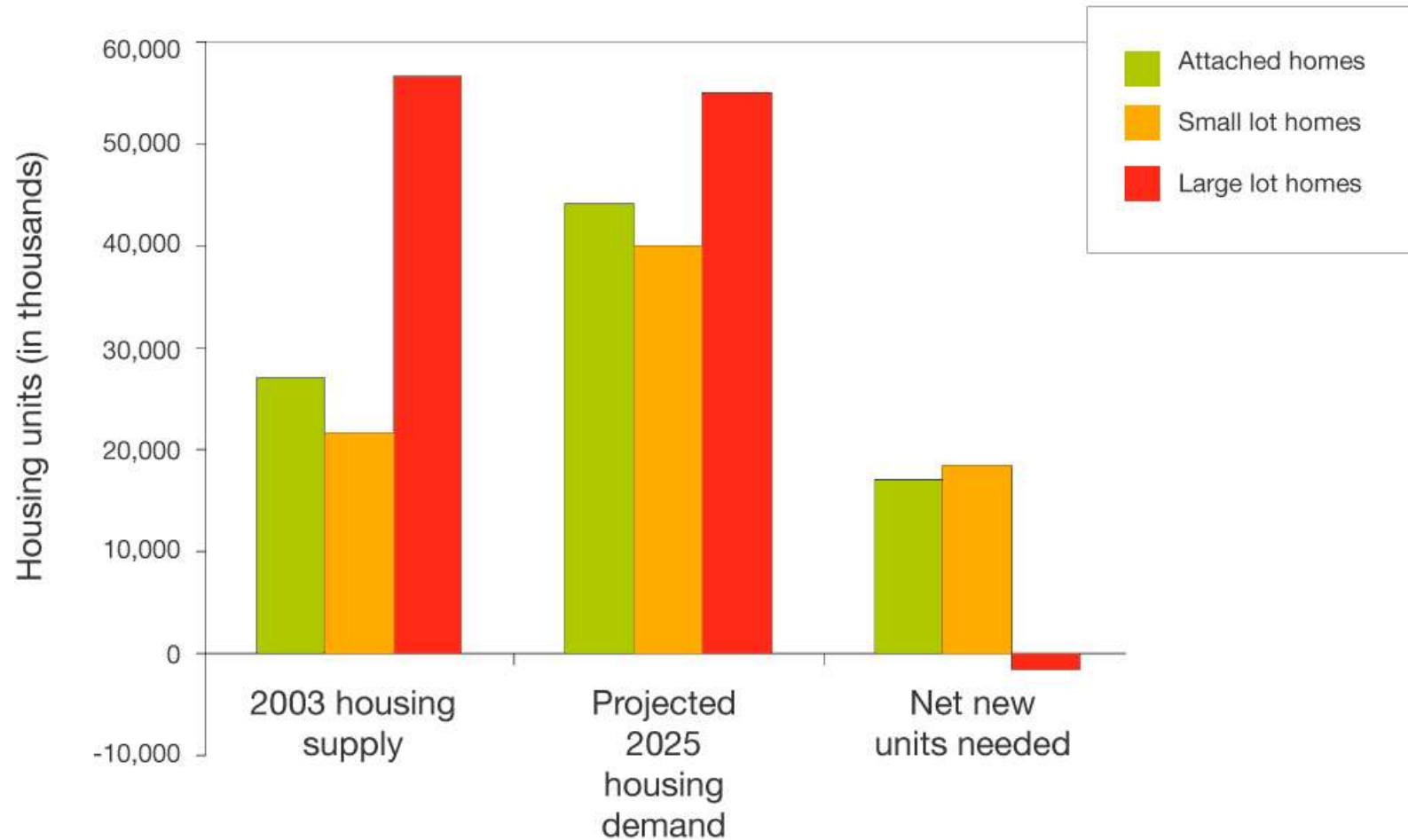
Decline in Households with Kids

Household	1960	2000	2025
With Children	48%	33%	28%
Without Children	52%	67%	72%
<i>Single</i>	13%	26%	28%

Source: Census for 1960 and 2000, 2025 adapted from Martha Farnsworth Riche, How Changes in the Nation's Age and Household Structure Will Reshape Housing Demand in the 21st Century, HUD (2003).

The market: Housing

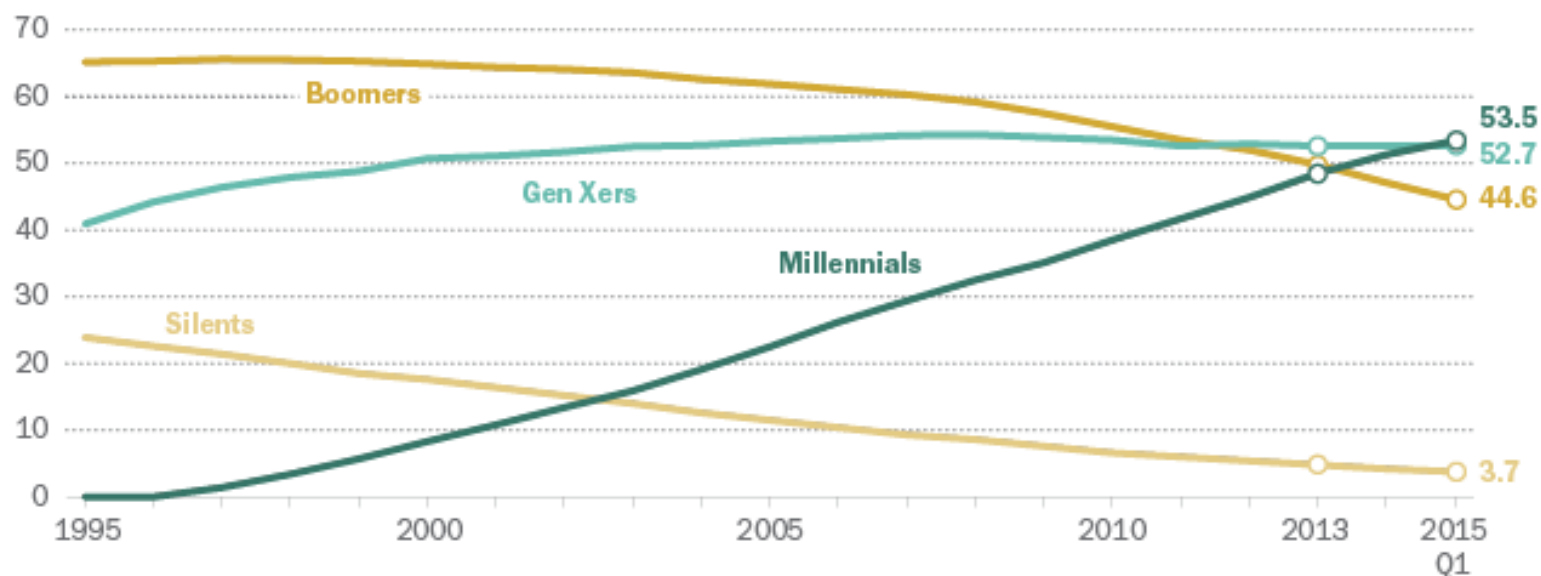
U.S. real estate supply vs. demand, 2003-2025



Millennials now largest share of the work force

U.S. Labor Force by Generation, 1995-2015

In millions



Note: Annual averages plotted 1995-2014. For 2015 the first quarter average of 2015 is shown. Due to data limitations, Silent generation is overestimated from 2008-2015.

Source: Pew Research Center tabulations of monthly 1995-2015 Current Population Surveys, Integrated Public Use Microdata Series (IPUMS)

PEW RESEARCH CENTER

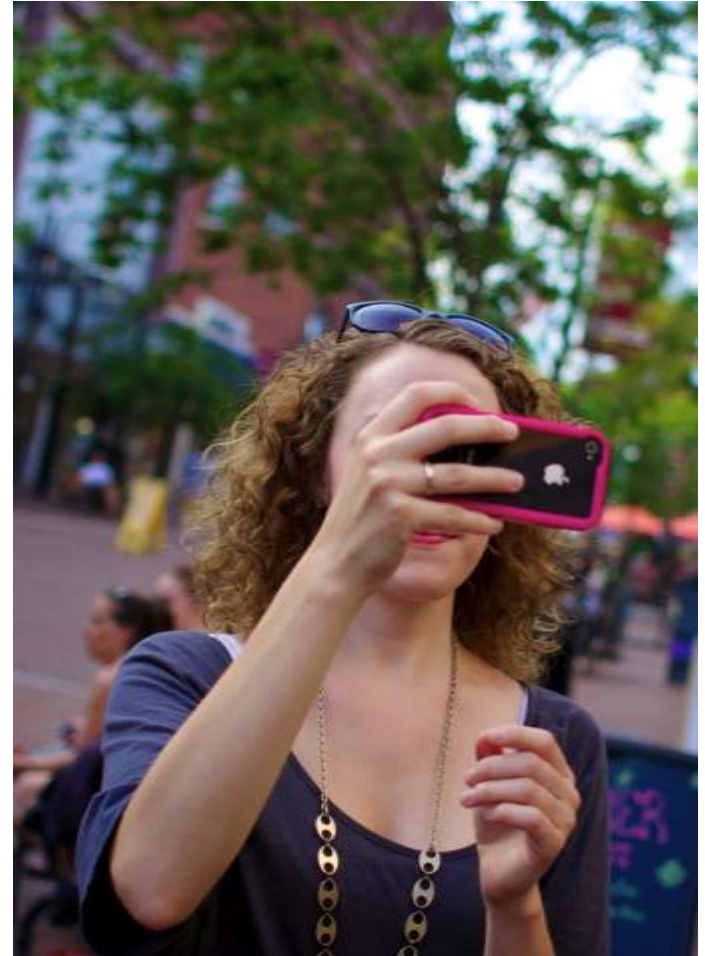
Millennials

They follow lifestyle,
not jobs.

Millennials choose
where to **live** before
finding a **job**.

Of all college-educated 25- to 34-year-olds
64% looked for a job **after** they chose the
city where they wanted to live.

(U.S. Census)



Attracting new residents

Three qualities attach people to a place:

- Social offerings: entertainment and places to meet;
- How welcoming a place is;
- Physical beauty and green spaces.



There is a price/value premium for walkable places (residential)

Applies to residential real estate -

Above-average walkability:

→ \$4,000 to \$34,000 more in home sales price



•Sources: “Walking the Walk” by Joseph Cortwright, CEOs for Cities and
“The Walkability Premium in Commercial Real Estate Investments”
by Gary Pivo and Jeffrey Fisher

There is a price/value premium for walkable places (commercial)

Applies to commercial real estate -

Greater walkability:

→ 1% to 9% increase in commercial property value depending on type; also higher incomes and lower

capitalization rates



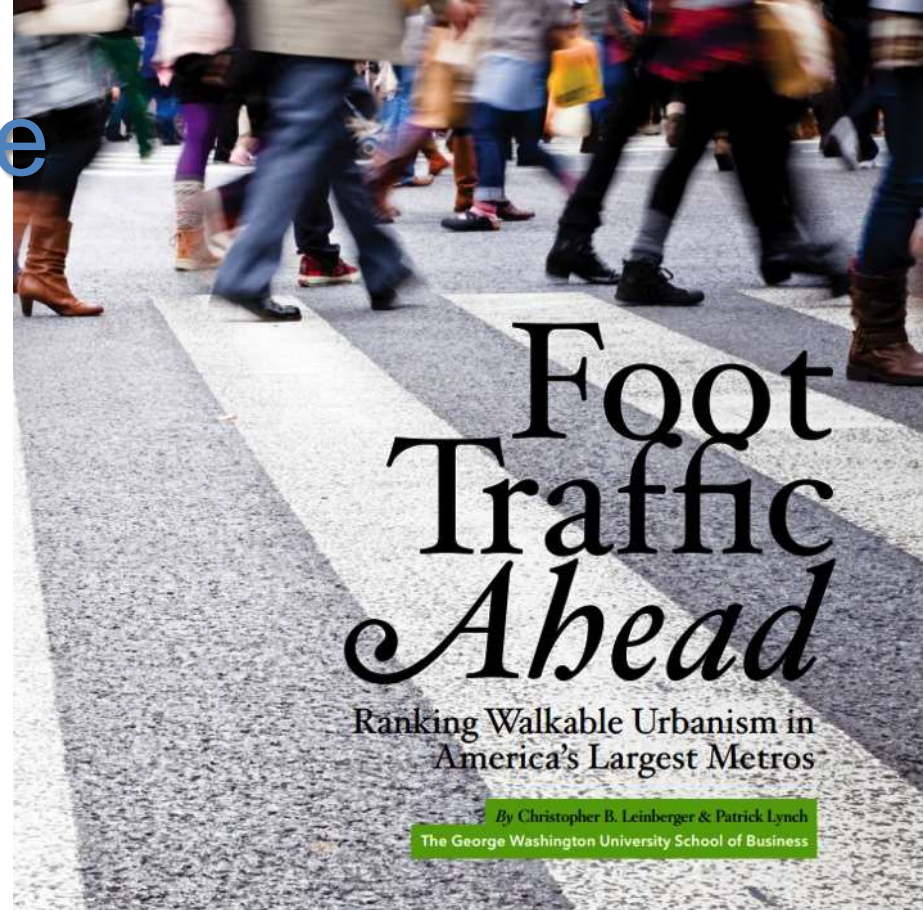
• Sources: "Walking the Walk" by Joseph Cortwright, CEOs for Cities and "The Walkability Premium in Commercial Real Estate Investments" by Gary Pivo and Jeffrey Fisher

There is a price/value premium for walkable places

2014 study ranks the top 30 US metropolitan areas in walkability

Major findings:

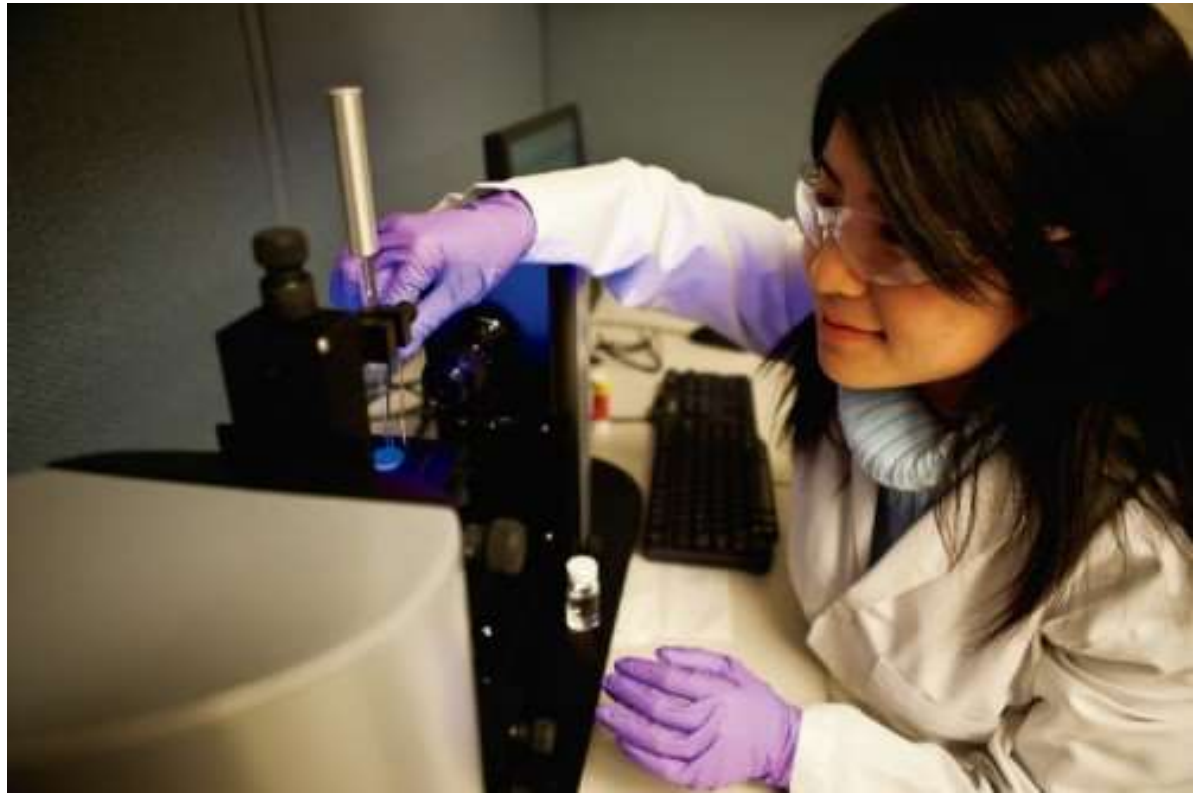
- The top ranking metros have an average of 38% higher GDP per capita as compared to the low ranking metros.
- Office rent in urban WalkUPs rent at a 74% higher premium per square foot over drivable sub-urban areas.



Economic growth

20th century **vs.** 21st century

Chasing smokestacks **vs.** Chasing talent



The 21st Century Economy

- The “creative economy” . . .
“knowledge economy” . . .
“innovation economy”
- Demand for skilled workers
- Importance of networking, interaction



Shift in work
activity →
new work
environments



Maker Space in Brooklyn



The Old Model: Plenty of Open Space; no Public Space



Typical Suburban
Workplace

The New Model: Settings for Interaction, Serendipity



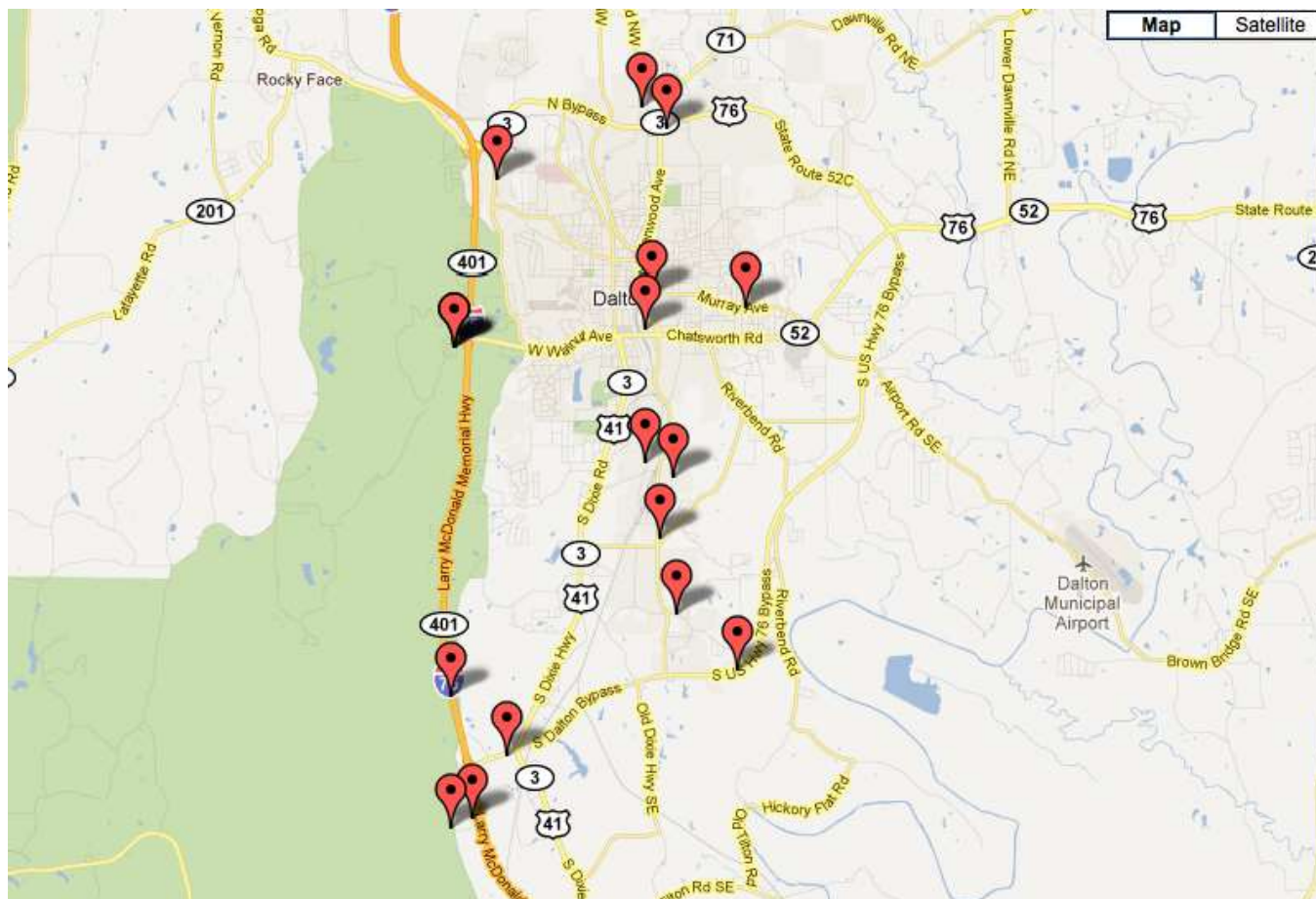
Clustering: Biotech in Kendall Square



Over 150 biotech firms have located near Boston's Kendall Square, home to MIT. These companies gain access to a pool of talented labor, connections to research institutions, specialized services to biotech firms, and easy information transfer.

LOCATION AND FORM MATTER: PROXIMITY

Clustering: Carpets in Dalton, GA



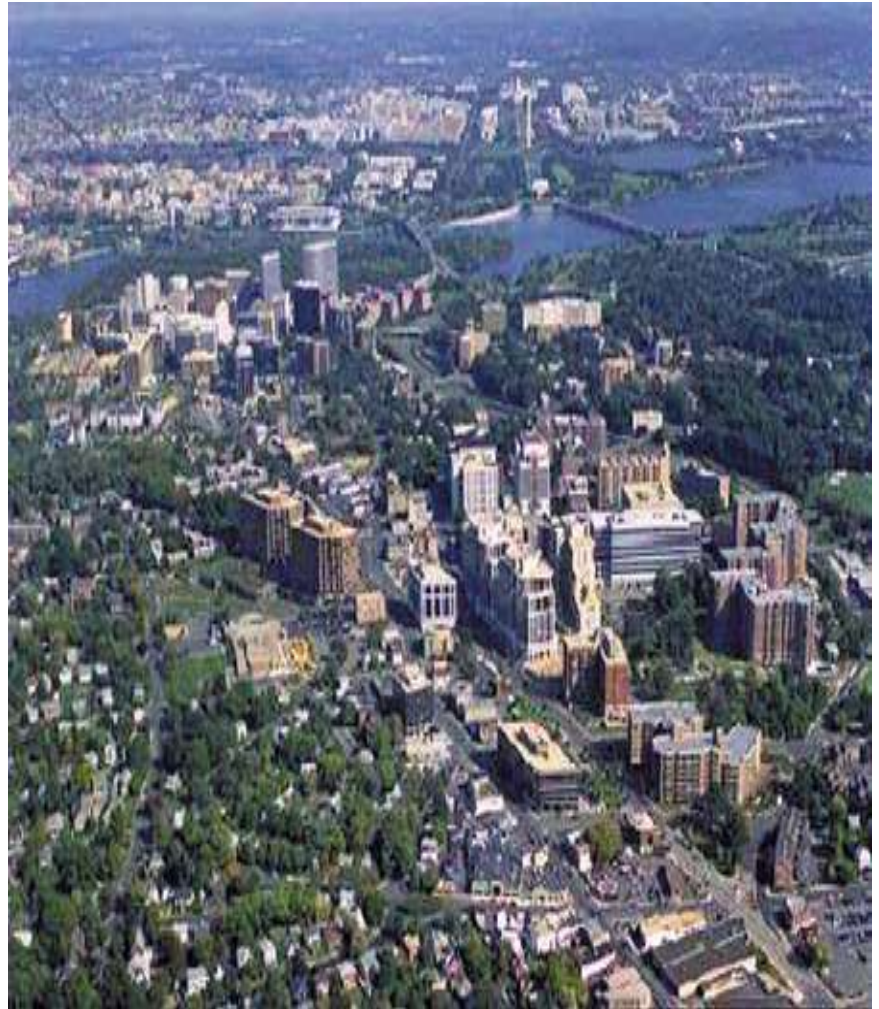
Forbes.com*

“One of the main factors businesses consider when deciding on where to relocate or expand is the available pool of college-educated workers. And that has cities competing for college-educated young adults.”

“And there’s one place this desired demographic, college-educated professionals between the ages of 25 and 34, tends to want to live: tight-knit **urban neighborhoods that are close to work and have lots of entertainment and shopping options within an easy walk.**”

The Return of Downtowns

- 63% of jobs in metro areas were within 3 miles of the traditional city center in 1960
- 16% in 1996
- 23% in 2013



Businesses Moving Downtown

- To attract and retain talented workers.
- To build brand identity and company culture.
- To support creative collaboration.
- To be closer to customers and business partners.



Some Examples

- Bangor, ME (pop. 32,673)--Bangor Daily News, moved 100 employees from suburban area to 12,000 sq. ft. HQ downtown
- Dubuque, IA (pop. 58,253)--Hirschbach Motor Lines, a trucking company, is moving 125 employees from the suburbs to a new \$9million HQ downtown
- Conway, AR (pop. 63,816)
 - Metova, mobile app development company, opened \$2.75million office for 60 people downtown
 - Big Cloud Analytics, a software development company, opened a new office for 40 people downtown
 - Grainster, a tech start-up, decided to launch in a downtown office



Downtowns are a good deal

...and we're not always good at
recognizing a good deal

Road serving a low-density neighborhood

- Rural, dead-end road
- Serves a subdivision of 5-acre lots
- Half of cost is assessed to property owners, other half is paid for by city



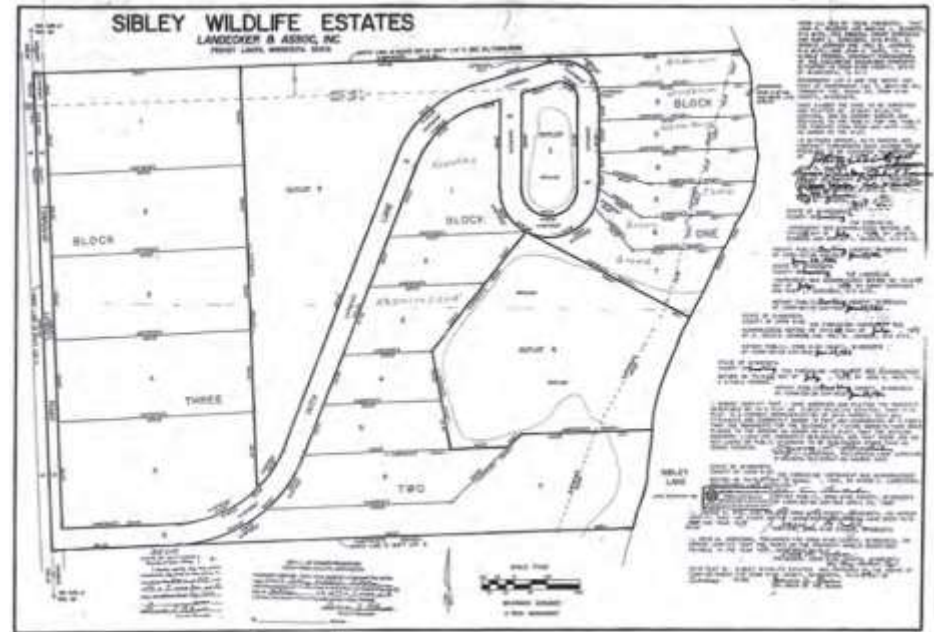
Payback: 37 years

Based on taxes being paid by the property owners

- Not including additional maintenance and potential reconstruction

Road serving a set of high-value, shoreline properties

- Property owners want city to improve their access road and have maintenance taken over by the public
- Road serves the properties only
- Proposal: property owners will cover construction costs if city takes over maintenance
- Is this a good deal?



Long term-maintenance cost (1 life cycle): \$154,000

Long-term revenue collected by city for maintenance:

\$79,000

To cover these costs within the road's life cycle, the local tax rate would need to go up 25% with 3% annual increase for next 25 years.

Low Density Development

THE TRADEOFF IS REALIZED AFTER ONE LIFE CYCLE



Things we won't do to
increase tax base are often
actually a good deal

Case Study: Central Falls, RI

Historic Preservation Increases Municipal Tax Bases

Elizabeth Webbing



Project	Assessed Value Before	Assessed Value Ater	Difference	Tax Collected Before	Tax Collected After	Difference
Central Falls						
Elizabeth Webbing	\$213,300	\$2,118,700	\$1,905,400	\$7,433	\$46,681	\$39,248

Sarasota County, FL

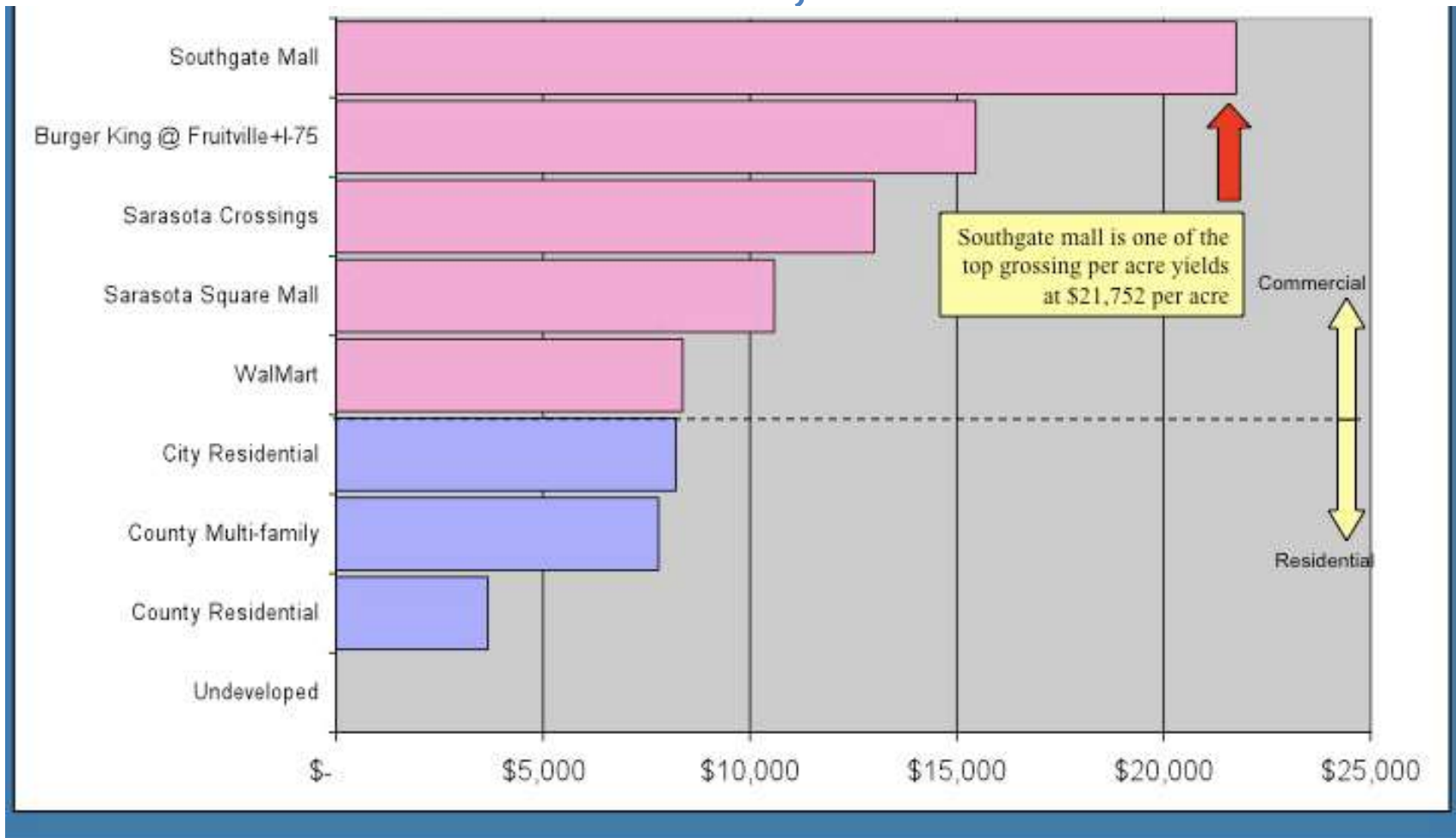
Fiscal Impact Case Study

A Comparison of Tax Revenue per Acre
Generated by Different Uses and Densities

Source: Public Interest Projects, Inc., J.
Patrick Whalen and Joseph Minicozzi, AICP.

Sarasota County:

Suburban Commercial Areas Yield More Than Residential, BUT...



Sarasota County:

Mixed-use Downtown Earns 35 Times More per Acre than the Suburban Mall.

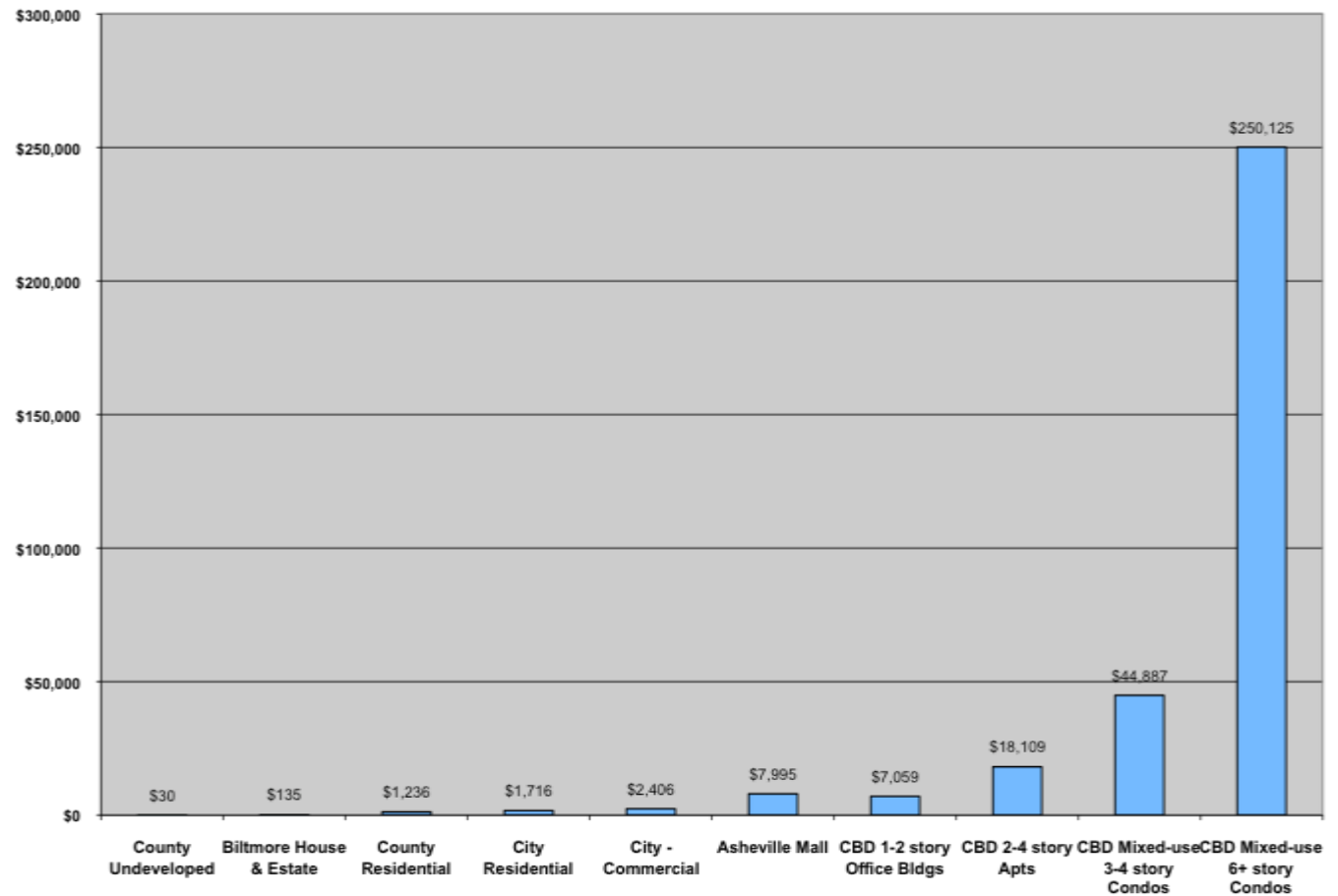


Sarasota County:

Smart Growth Benefits Apply to Low-rise Mixed-use, Too.



The Real-world Impact of Smart Growth: Asheville



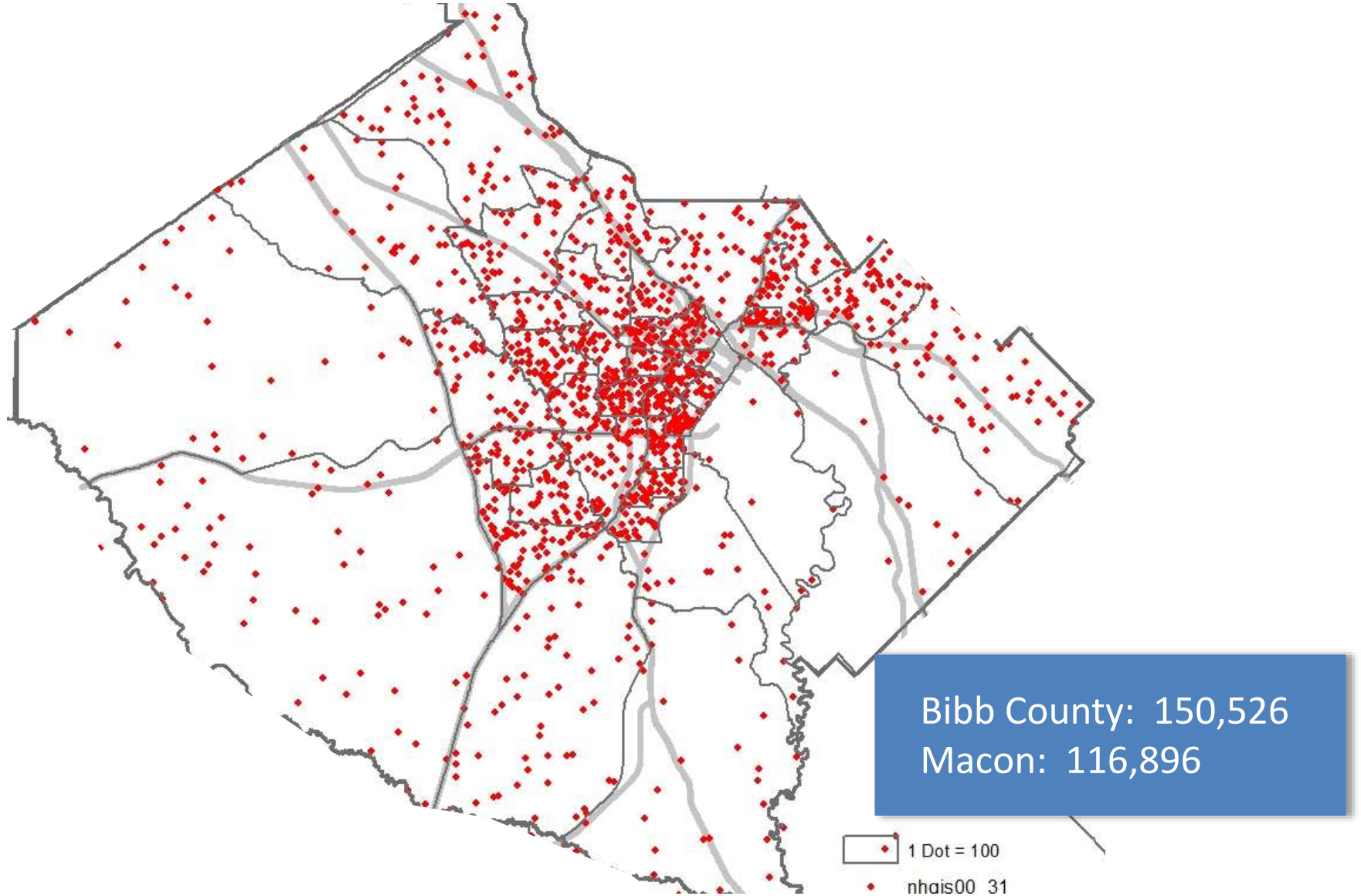


WHERE WE ARE USING THIS MODEL

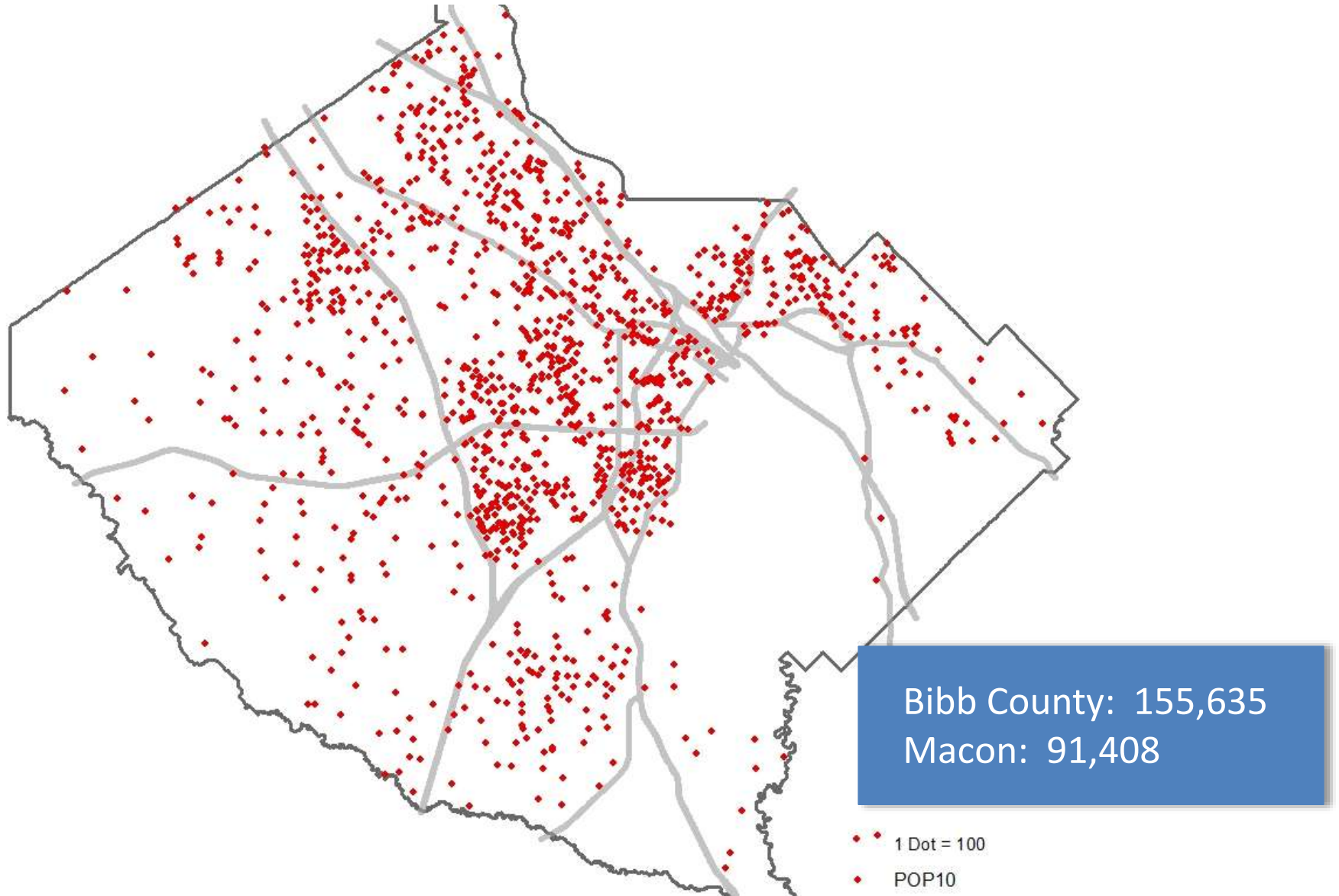
- Madison, Wisconsin
- West Des Moines, Iowa
- Doña Ana County, New Mexico
- Macon, Georgia
- Indianapolis, Indiana



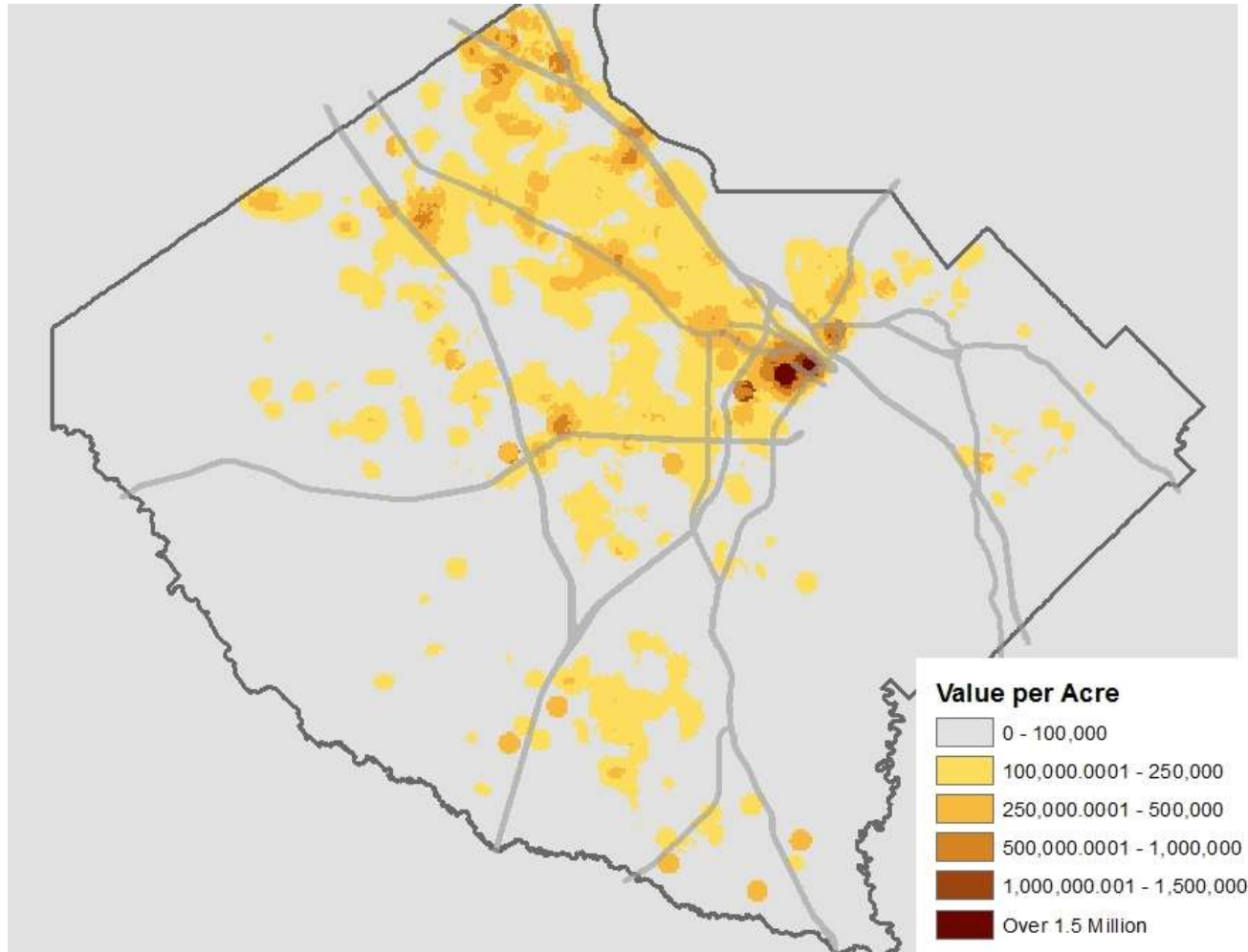
BIBB COUNTY POPULATION DISTRIBUTION 1980



BIBB COUNTY POPULATION DISTRIBUTION 2010



DOWNTOWN MACON HAS HIGHEST AVERAGE PROPERTY VALUES PER ACRE IN BIBB COUNTY

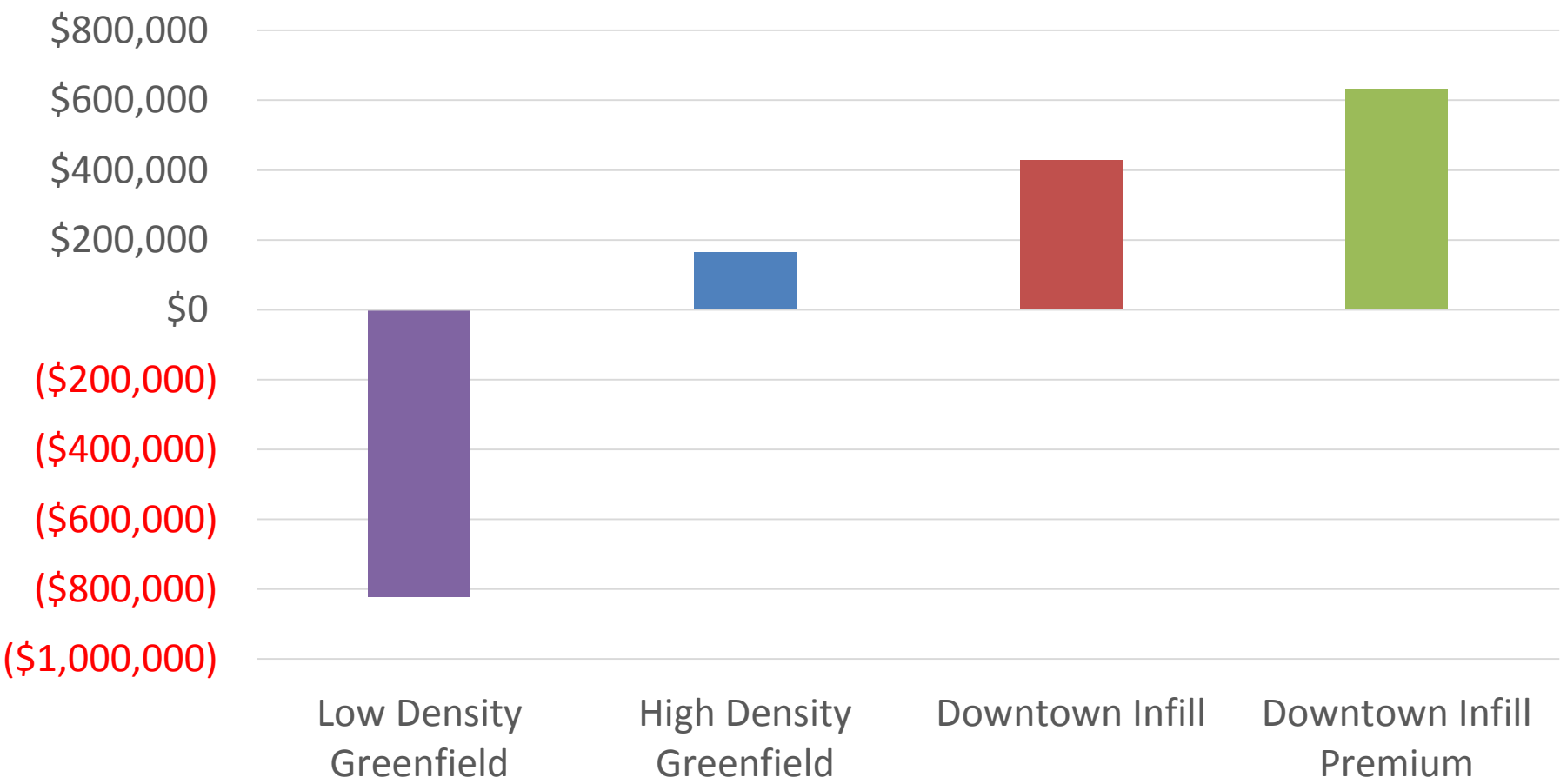


- Downtown Avg. Assessed Value per Acre: \$1.3 million
- Shoppes at River Crossing: \$967,000 per Acre
- County Avg: \$77,000



SUMMARY OF RESULTS BY SCENARIO

Total Annual Budgetary Impact
Macon-Bibb County and Schools Combined



Arlington, Virginia



- **About 10 % of the County's land area**
- **Generates about 50% of tax revenue**
- **Tax base:**
49% commercial
51% residential

Tourism





Main Street USA, Disneyworld



Burlington, Vermont